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# INFORMATION REPORT

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SUBJECT Financial Losses of EKO and the Mansfeld Kombinat

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1. From 1 January to 30 September 1952, plants under the jurisdiction of the East German Ministry of Mining and Smelting incurred financial losses amounting to 25,976,700 DME. Included in this sum are the extra-plan losses of Eisenhuettenkombinat Ost (EKO), amounting to 12,216,800 DME, and Mansfeld-Kombinat "Wilhelm Pieck", amounting to 7,524,100 DME; thus, the losses of these two plants account for 19,740,900 DME of the total.

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### EKC Losses

3. LKO extra-plan losses are figured as follows: excess production costs amounted to 13,661,000 DML, while extra-plan profits totaled 1,444,200 DML; thus total unplanned losses amounted to 12,216,800 DML. Because of a lack of experience in production cost planning the 1952 plan figured on costs of 165.24 DML per ton for foundry pig iron and 163.20 DML per ton for steel pig. Actual production costs per ton of pig iron at LKO were as follows for the first ten months of 1952:

January	557	DME
February	438	DME
March	365	DME
April	266	DME
May	256	DME
June	240	DME
July	262	DME
August	283	DME
September	206	DME
October	261	DME

Therefore, average production cost per ton of pig iron for the first nine months of 1952 amounted to 266 DME (sic), resulting in unplanned production expense amounting to 13,661,000 DME.

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4. EKO's poor showing in plan fulfillment can be explained by the following factors:

a. Various installations were not put into operation on schedule, for example:

<u>Installation</u>	<u>Plan</u>	<u>Actual</u>
Blast furnace III	1 May 1952	26 August 1952
Blast furnace IV	1 September 1952	11 November 1952
Sintering band I	1951	8 June 1952
Sintering band II	1951	1 August 1952

b. Poor plant organization, technical flaws in equipment and inadequate technical knowledge, for example:

Blast furnace efficiency coefficients in September -

Blast furnace I	1.5
Blast furnace II	1.8
Blast furnace III	1.5

Time when the sintering installation was not in operation -

July	38.9%
August	39.8%
September	33.5%

5. Unplanned expenses for raw material during the first three quarters of 1952 amounted to 7,817,000 DME:

Krivoi Rog Ore:	Planned price per ton	21.75 DME
	Actual price per ton	27.54 DME
	Unplanned expense per ton	6.29 DME

Note: 71,839 metric tons more than planned were purchased

Total losses	2,813,000 DME
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Coke:	Planned price per ton	32.64 DME
	Actual price per ton	38.78 DME
	Unplanned expense per ton	6.14 DME

Note: 71,752 metric tons more than planned were purchased because of the poor quality of some of the coke.

Total losses	4,023,000 DME
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Manganese ore:	Planned price per ton	54.50 DME
	Actual price per ton	67.52 DME
	Unplanned expense per ton	13.12 DME

Note: 8,076 metric tons more than planned were purchased.

Total losses	701,000 DME
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6. Extra-plan losses on salaries amounted to 2,743,000 DME during the first three quarters of 1952. These losses are explained by the fact that personnel were hired for various installations which were not finished on schedule.

#### Mansfeld-Kombinat Losses

7. Mansfeld extra-plan losses are broken down as follows. Production costs exceeded the planned amount by 9,424,100 DME. Extra-plan profits from subcontracts (Lohnarbeit) amounted to 392,000 DME, from format work (Format-Arbeit) 829,000 DME, and from increase in the value of supplies (Bestandsaufwertung) 679,000 DME. Thus, total extra-plan profits amounted to 1,900,000 DME, leaving unplanned losses at 7,524,100 DME.

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8. Production fulfillment from 1 January to 30 September 1952 were as follows: copper from own ores - 58.7 percent; copper from Sangershausen ores - 33.8 percent; and lead from own ores - 63.3 percent. Non-fulfillment of the planned quotas is attributed to the non-fulfillment of the personnel plan resulting from a shortage of labor, the resulting non-fulfillment of the miners' quotas, and the resulting incomplete exploitation of the capacity of the smelteries (Rohhuetten). As in the case of EKO, non-fulfillment resulted in increased costs per production unit with the corresponding increase in loss per unit.
9. The decrease in copper yield resulted in an increase of production costs. It had been planned to obtain 10.8 kilograms of copper per metric ton of ore, making the cost of copper from own ores 8,989 DME per metric ton. The yield achieved, however, amounted to only 9.8 kilograms per metric ton. The production cost per metric ton of copper developed as follows:

January	9,470 DME
February	9,443 DME
March	9,345 DME
April	10,659 DME (from this time on with a wage rise for mining
May	10,117 DME included)
June	10,364 DME
July	10,996 DME
August	11,518 DME
September	12,264 DME

Therefore, the decrease in yield resulted in extra-plan losses amounting to 3,232,000 DME at Mansfeld.

10. The coke delivered to Mansfeld by DHZ Kohle was of poor quality, so that more coke than planned had to be used per metric ton of ore. Losses thus incurred amounted to 1,740,000 DME.
11. An extra-plan loss amounting to 1,555,000 DME occurred because of the unexpected flooding of the Otto-Brosowski Shaft.

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